



April 11, 2013

The Honorable Vern Buchanan
Chairman, Small Business/Pass Throughs Working Group
U.S. House of Representatives
Ways and Means Committee
2104 Rayburn House Office Building
Washington, DC 20515-0916

Dear Chairman Buchanan:

On behalf of the more than 100 small brewers from the Commonwealth of Pennsylvania, I am writing to urge you to recommend that any tax reform legislation considered by the Ways and Means Committee in the 113th Congress include an adjustment to the federal excise tax paid by small brewers. The adjustment is outlined in the bipartisan legislation, H.R. 494, introduced by your colleagues on the Committee, Congressmen Jim Gerlach and Richard Neal.

As I'm sure you know from our fellow brewers at the Florida Brewers Guild, the Brewers Association and other state guilds throughout the nation, the American Craft Beer Revolution, which started in the mid-1980s, has inspired more than 2,400 small and craft brewers across the country to introduce a broad spectrum of innovative brews. While we represent a very small percentage of the total beer sold in the U.S., our sales and influence are growing, and we are proud to say that we are striving to elevate the reputation of beer as a noble beverage of moderation and to educate beer lovers everywhere. Today, America's beers are the envy of the world, and we have welcomed brewers from all over the world (even Germany) to come here to learn about our innovation and commitment to quality.

Our Commonwealth is home to some of the most well-known, small breweries in the United States such as Pittsburgh Brewing Company, Samuel Adams, D. G. Yuengling, Iron Hill Brewery & Restaurant and Victory Brewing Company, earning our state national acclaim. The most recent Great American Beer Festival, held in Denver, Colorado last October, witnessed Pennsylvania brewers Troegs Brewing Company of Hershey and Church Brew Works of Pittsburgh win the top national honors as Mid-Size Brewing Company & Mid-Size Brewing Company Brewer of the Year and Large Brewpub & Large Brewpub Brewer of the Year, respectively.

Beyond these established and successful breweries, Pennsylvania is home to dozens and dozens of up and coming small craft breweries, such as Forest & Main Brewing of Ambler, that are building upon the tradition of innovative manufacturing in the Commonwealth. Combined, Pennsylvania breweries accounted for \$1.1 billion in direct economic impact in the state in 2010. Employment in the Pennsylvania brewing industry stood at 2,660 in 2011 and has been growing at an annual rate of 10%.

Our playing field in the American beer industry, however, is not level. We compete with two international conglomerates that control over 80% of the beer sold in the United States. The beer business has changed significantly since 1976 when Congress instituted a small brewer excise tax differential and recalibrating the federal beer tax laws in order to help America's small brewers thrive and add jobs is timely, cost effective and necessary to maintain this innovative, manufacturing sector of our economy.

The current situation of my own company, Victory Brewing Company of Downingtown, PA, perfectly illustrates the above point. Presently, Victory is positively impacting our local economy in Pennsylvania by constructing a second brewing facility. Located in West Sadsbury Twp., Chester County, this project has required nearly 24,000 man-hours of labor from 25 local companies since its start in September of last year through January 25 of this year. When this \$38 million project is completed this July and we fire up our brew kettles, we expect to be well past 75,000 man-hours invested in the construction. As a 17 year-old company with a positive financial history and an understanding local lender, we were fortunate in securing needed financing to build this second plant that will result in 15 new jobs prior to opening. Yet, beyond committed funds from First Niagara and National Penn banks, Victory has had to reach deep into retained earnings to pull the project off, delaying other company initiatives and some hiring in the present term. If our federal excise tax payments were reduced, as the Small BREW Act would permit, I can assure you that we'd hire for good-paying, full-time positions immediately.

Inclusion of H.R. 494 in comprehensive tax reform would be a critically important addition towards creating a pro-business, pro-jobs environment for small brewers. This recalibration of the federal excise tax on small brewers would allow small brewers to expand capacity and distribution. We have learned that demand for our beers is increasing, but we are often thwarted in our ability to fill that demand by limited access to capital that would enable us to expand our breweries and hire more employees.

We appreciate your consideration on this matter. Brewing in America has evolved to be a business of collegial support, and we stand with our friends at the Florida Brewers Guild and the Brewers Association to urge inclusion of the provisions of H.R. 494 in the final tax package. If we can provide any further data or information, we will eagerly share it with you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'William J. Covaleski', with a stylized, flowing script.

William J. Covaleski
President
Brewers of Pennsylvania

Cc: The Honorable Jim Gerlach
The Honorable Richard Neal
The Honorable Allyson Schwartz
The Honorable Dave Camp
The Honorable Sander Levin